



March 25, 2014

Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Madam Leader:

As you requested, the Congressional Budget Office (CBO) has reviewed H.R. 15, the Border Security, Economic Opportunity, and Immigration Modernization Act, as introduced on October 2, 2013. H.R. 15 would revise laws governing immigration and the enforcement of those laws, allowing for a significant increase in the number of noncitizens who could lawfully enter the United States on both a permanent and temporary basis. Additionally, the bill would create a process for many individuals who are present in the country now on an unauthorized basis to gain legal status, subject to requirements specified in the bill. The bill also would directly appropriate funds for tightening border security and enforcing immigration laws, and would authorize additional appropriations for those purposes.

CBO and the staff of the Joint Committee on Taxation (JCT) have not completed a full, comprehensive cost estimate for H.R. 15. However, the bill is quite similar to the version of S. 744 that was reported by the Senate Committee on the Judiciary in 2013 (and later amended and passed by the Senate). Based on that similarity, we expect that enacting H.R. 15 would have effects on the population and the federal budget that would be quite similar to those of the committee-reported version of S. 744. Specifically, we expect that enacting H.R. 15 would increase direct spending and revenues by about the same amounts as S. 744, for a net reduction in federal budget deficits of about \$200 billion over the 2015-2024 period and significantly greater amounts in the decade following 2024.¹

In addition to the cost estimate for S. 744, CBO prepared an analysis of the overall economic impact of that bill and of the incremental federal budgetary effects of those changes in the economy that were outside the

1. For more information, see CBO's cost estimate for S. 744 as reported by the Senate Committee on the Judiciary (June 18, 2013) at www.cbo.gov/publication/44225 and CBO's cost estimate for S. 744 as passed by the Senate (July 3, 2013) at www.cbo.gov/publication/44397.

scope of the cost estimate for the bill. CBO has not prepared such an analysis for H.R. 15. However, based on the similarity of the legislation to the version of S. 744 that was reported by the Senate Committee on the Judiciary, we expect that enacting H.R. 15 would have effects on output and income that would be quite similar to those of the committee-reported version of S. 744. Among other effects, the legislation would probably boost economic output, increase average wages for the entire labor force after about a decade (but decrease them before that), raise the amount of capital investment, and increase the productivity of labor and capital. On balance, we expect that the economic effects of H.R. 15 that would not be included in the cost estimate would have no significant net effect on federal budget deficits during the coming decade and would reduce deficits by a significant additional amount during the following decade.²

Comparison of the Provisions of H.R. 15 with Those of S. 744

In 2013, CBO transmitted two cost estimates for S. 744 (which was also entitled the Border Security, Economic Opportunity, and Immigration Modernization Act)—for a committee-approved version and a Senate-passed version of the legislation. The budgetary effects of H.R. 15 would be quite similar to those of the committee-approved version of S. 744.

The first estimate for S. 744 was transmitted on June 18, 2013, and was for the version of the bill that was reported by the Senate Committee on the Judiciary on May 28, 2013, including the amendments made in the star print of June 6, 2013. In that cost estimate, CBO estimated that, under the bill, the population of the United States would increase by 10.4 million people, on net, by 2023 (10 years after assumed enactment) and that roughly 8 million unauthorized residents would initially gain legal status (because those people would already be in the United States, that change in status would not increase the U.S. population). CBO and JCT estimated that enacting the legislation would generate changes in direct spending and revenues that would decrease federal budget deficits by \$197 billion over the 2014–2023 period.

The Senate amended S. 744 before passing it on June 27, 2013. CBO transmitted a letter summarizing its analysis of that version of S. 744 on July 3, 2013. For that Senate-passed version of the legislation, CBO estimated that the net population increase over the first 10 years after

2. For more information, see Congressional Budget Office, *The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act* (June 2013), www.cbo.gov/publication/44346.

enactment would be 9.6 million people—800,000 fewer than estimated for the committee-approved version of S. 744. That reduction stemmed from an amendment that would directly appropriate an additional \$38 billion for the security of the southern U.S. border (relative to such funding in the committee-approved version). As a result of that appropriation and the consequent budgetary effects of having fewer unauthorized residents in the country (as well as the effects of other amendments), CBO and JCT estimated that changes in direct spending and revenues under the Senate-passed version of S. 744 would decrease federal budget deficits by \$158 billion over the 2014-2023 period.

H.R. 15 does not differ from the committee-reported version of S. 744 in any significant way; it differs from the Senate-passed version H.R. 15 of S. 744 mostly because H.R. 15 does not include the additional \$38 billion in funding for border security that was in that version of the Senate bill (although it includes some such funding).

Differences in Timeline and in CBO's Baseline Projections

Although H.R. 15 and the committee-reported version of S. 744 are very similar, if CBO and JCT were to prepare a full, comprehensive cost estimate for H.R. 15 now, the estimated effects on population and the federal budget would differ modestly from the effects for S. 744 that were estimated last year—primarily because the assumed enactment date would be different and because CBO has updated its baseline projections. However, the differences arising from those factors and others would be small relative to the size and scope of the budgetary effects of the legislation. Thus, the budgetary effects of H.R. 15 would be quite similar to those of the committee-approved version of S. 744.

Last year's cost estimate for S. 744 incorporated an assumption that the legislation would be enacted by the beginning of fiscal year 2014 and focused on the 10-year period from 2014 through 2023. For legislation that might be considered during the remainder of the current Congress, we would assume enactment near the start of fiscal year 2015 and focus on the 10-year period from 2015 through 2024. That shift in the timeline would have only a small impact on the estimated effects of the legislation on federal budget deficits through changes in direct spending and revenues. In addition, the shift would reduce estimated discretionary spending under the bill's specified authorizations, but only by about \$1 billion. That reduction would occur because those authorizations generally applied to the 2014-2018 period, which was the five-year period following the assumed

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enactment of S. 744, and authorizations for 2014 would not lead to spending if the bill was enacted near the start of fiscal year 2015.

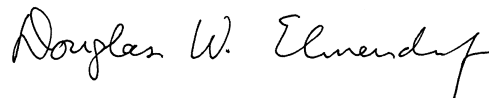
The updates to CBO's baseline projections (which incorporate the assumption that current laws will generally be unchanged) reflect updated forecasts for inflation, average benefits to be provided through various federal programs, and other factors. Those updates would have only a small impact on the estimated effects of the legislation on direct spending and revenues because most of the revisions to the baseline projections were fairly small.

Budgetary Effects in the Second Decade Following Enactment

CBO expects that H.R. 15—like S. 744—would lead to a significant reduction in federal budget deficits during the second decade after enactment (as well as during the first decade after enactment). CBO estimated that the committee-reported version of S. 744 would generate changes in direct spending and revenues that would reduce deficits by about \$700 billion over that second decade. In light of the considerations discussed above, CBO expects that the budgetary effects of H.R. 15 during that second decade would be quite similar.

I hope you find this information useful. If you have any questions, the primary CBO staff contact is Sam Papenfuss.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive, flowing style.

Douglas W. Elmendorf
Director

cc: Honorable John Boehner
Speaker

Honorable Joe Garcia